

Banking

Mar 26 BNM Statistics: Improving Fundamentals

Highlights

- The banking sector's stats remained resilient in Mar 26 despite macro headwinds. Loan and deposit growth both gained momentum, while asset quality continues to improve.
- We expect sector earnings to grow a decent 5% in 2026. Earnings resilience is underpinned by ~5% loan growth, stable credit costs and a slight improvement in NIM (+2bp) with deposit re-pricing helping to offset ongoing yield pressure.
- Maintain OVERWEIGHT. Amid the ongoing Middle East geopolitical uncertainties, we adopt a barbell strategy, favouring Public Bank and Hong Leong Bank for their defensive profiles and capital management upside, while CIMB offers attractive value with one of the sector's highest dividend yields at around 6.5%.

Analysis

- Loan growth gained further traction**, rising to 5.4% in Mar 26 (Feb 26: 4.9%), driven by stronger business lending, particularly working capital financing. Household loans remained stable at 5.2%, supported by steady mortgage growth of 5.6% yoy. We maintain our 2026 loan growth forecast at 5.0–5.5%, underpinned by resilient household demand.
- Improvement in leading loans growth indicators.** Loan applications and approvals improved sharply, rising to 12.0% and 12.7% respectively in Mar 26 (Feb 26: -9.3% and +0.7%). Both business and household segments saw improvement, with business lending emerging as the key driver.
- Deposit growth accelerated to 4.1% yoy** in Mar 26 (Feb 26: +2.9%), supported by stronger CASA expansion of 9.4% (Feb 26: 7.6%). As a result, the loans-to-deposits ratio improved to 88.6% from 89.4% in Feb 26. Overall liquidity remains healthy, with banks retaining flexibility to access bond markets as a cheaper funding alternative to wholesale deposits
- Asset quality improved further, with the GIL ratio declining to 1.40%** from 1.42% in Feb 26, near historical lows. A strong loan-loss coverage of ~90% (vs pre-pandemic ~80%) provides an additional buffer, supporting contained credit costs of around 17bp.

Valuation/Recommendation

- Maintain OVERWEIGHT.** We remain constructive on the sector, underpinned by: a) potential dividend upside, supporting attractive yields of around 5.5%; b) a relatively defensive earnings profile compared with export sectors exposed to tariff risks; c) potential inflows from emerging market MSCI rebalancing; and d) strong provision buffers across the sector. The sector's 1.0x P/B remains undemanding relative to its ROE of about 10%. By comparison, Singapore banks trade at a significantly higher P/B of about 1.65x, despite delivering only modestly stronger ROE of approximately 13%.

Peer Comparison

Company	Ticker	Rec	Price 30 Apr 26 (RM)	Target Price (RM)	Upside To TP (%)	Last Year End	PE			Yield 2026E (%)	ROE 2026E (%)	Market Cap. (US\$m)	Price/ NAV ps (x)
							2025A (x)	2026E (x)	2027E (x)				
Public Bank	PBK MK	BUY	4.68	5.55	18.6	Dec-25	12.6	11.7	11.0	5.6	12.6	22,882	1.5
CIMB Group	CIMB MK	BUY	7.66	9.30	21.4	Dec-25	10.5	9.9	9.2	6.6	11.6	20,845	1.1
HL Bank	HLBK MK	BUY	22.26	25.15	13.0	Jun-25	10.8	9.8	9.0	5.1	11.4	12,155	1.1
RHB Bank	RHBBANK MK	BUY	8.14	9.10	11.8	Dec-25	10.6	10.0	9.6	6.0	10.1	8,944	1.0
HLFG	HLFG MK	BUY	18.82	22.67	20.5	Jun-25	7.1	6.9	6.6	3.8	9.7	5,429	0.7
AMMB	AMM MK	HOLD	6.15	6.55	6.5	Mar-25	10.2	10.0	9.4	5.5	9.4	5,123	0.9
Maybank	MAY MK	HOLD	11.08	12.30	11.0	Dec-25	11.8	11.4	11.0	6.3	11.2	33,757	1.3
Alliance Bank	ABMB MK	HOLD	4.66	5.10	9.4	Mar-25	10.7	10.1	9.5	5.0	9.9	2,031	1.0
Affin Bank	ABANK MK	HOLD	2.52	2.60	3.2	Dec-25	11.3	10.4	9.4	3.8	4.8	1,608	0.5
Bank Islam	BIMB MK	HOLD	2.34	2.45	4.7	Dec-25	8.5	8.6	9.4	5.8	7.1	1,336	0.6

Source: UOB Kay Hian

OVERWEIGHT (Maintained)

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Segmental Rating

Segment	Rating
Bank	OVERWEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (RM)	Target Price (RM)
Public Bank	PBK MK	BUY	4.68	5.55
CIMB Bank	CIMB MK	BUY	7.66	9.30
Hong Leong Bank	HLBK MK	BUY	22.26	25.15
RHB BANK	RHB MK	BUY	8.14	9.10

Source: Bloomberg, UOB Kay Hian

Banks' Share Price Performance

Company	Price (RM)	yoy % chg	ytd % chg
Affin Bank	2.52	(4.9)	7.2
Maybank	11.08	10.9	5.7
RHB Bank	8.14	22.4	5.6
Public Bank	4.68	4.7	3.1
Bank Islam	2.34	(4.5)	2.2
HL Bank	22.26	11.4	0.5
HLFG	18.82	9.5	(1.3)
AMMB	6.15	19.2	(5.4)
CIMB Group	7.66	8.5	(7.2)
Alliance Bank	4.66	9.2	(7.7)

Source: Bloomberg, UOB Kay Hian

Summary Of Banking Data

	yoy % chg		
	Jan-26	Feb-26	Mar-26
Loan Outstanding	4.6	4.9	5.4
- Business	3.6	4.4	5.6
- Household	5.3	5.3	5.2
Loan Applied	6.0	(9.3)	12.0
- Business	(4.7)	0.4	28.0
- Household	15.7	(16.4)	0.3
Loan Approved	27.4	0.7	12.7
- Business	44.2	11.4	27.5
- Household	13.5	(10.5)	(3.7)
Loan Disbursed	(3.7)	(6.5)	(2.6)
- Business	(4.9)	(8.6)	(4.3)
- Household	0.1	0.9	3.9
Loan Repaid	(3.9)	(10.1)	(7.1)
- Business	(5.3)	(12.8)	(10.9)
- Household	1.2	(0.7)	7.0

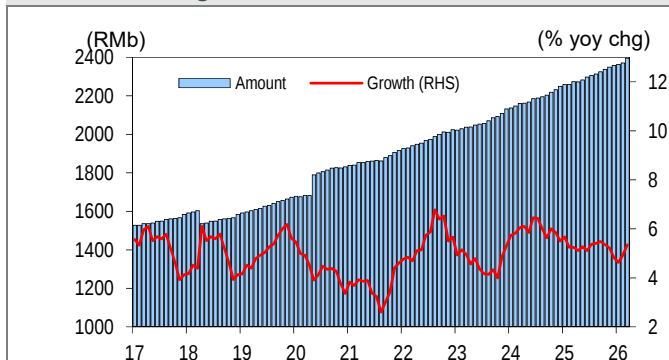
Source: BNM

- **Stock picks.** Amid the ongoing geopolitical uncertainties in the Middle East, we adopt a barbell investment approach. We favour Public Bank and Hong Leong Bank for their defensive earnings profiles and near-term capital management upside ahead of the adoption of Basel III reforms in Jun 26. At the other end, we like CIMB as a high-beta and liquid laggard that is likely to recover the quickest once geopolitical tensions ease.

Sector Catalyst/Risk

- **Catalysts:** Stronger-than-expected dividend payouts, stronger-than-expected NIM recovery.
- **Risks:** Higher-than-expected asset quality deterioration from sustained spike in oil prices on businesses.

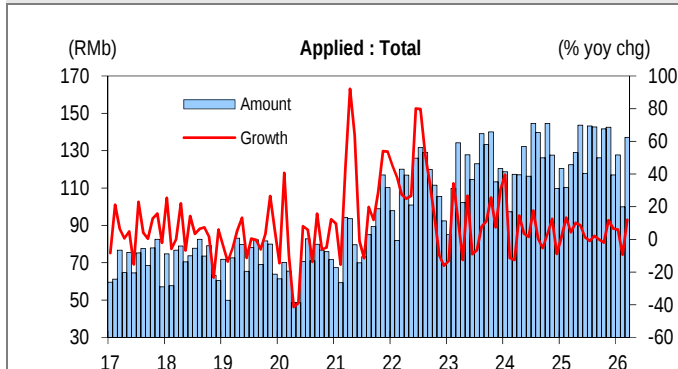
Total Outstanding Loans



Source: BNM

- Loan growth gained traction, rising to 5.4% in Mar 26 (Feb 26: 4.9%), driven by stronger business loans and working capital in particular.
- Household loans growth remained steady at 5.2%, supported by mortgages (+5.6% yoy).

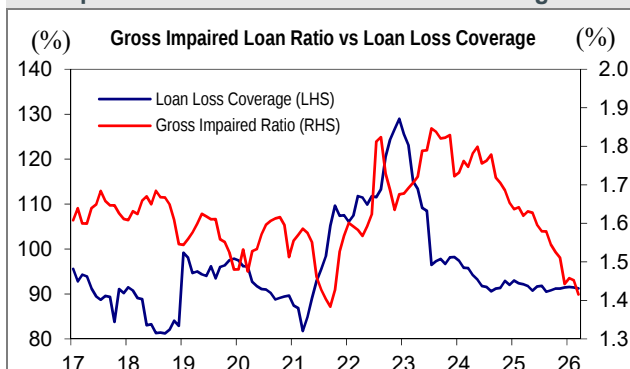
Total Loan Applications



Source: BNM

- Loan applications and approvals improved sharply, rising to 12.0% and 12.7% respectively in Mar 26 (Feb 26: -9.3% and +0.7%).
- Both business and household segments saw improvement, with business lending emerging as the key driver.

Net Impaired Loan Ratio Vs Loan-Loss Coverage



Source: BNM

- Asset quality improved further, with the GIL ratio declining to 1.40% from 1.42% in Feb 26, near historical lows.

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